A 2020 Vision for Food, Agriculture, and the Environment
2020 VISION

SHAPING GLOBALIZATION FOR POVERTY ALLEVIATION AND FOOD SECURITY

INTRODUCTION

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WHAT IS GLOBALIZATION

In its broadest sense, globalization can be seen as an inherent part of human experience. Since prehistoric times humans have been growing in number; interacting with other groups, peacefully or not; building larger economic, social, and political organizations; discovering, using, and sometimes destroying the resources of the planet; and generating new knowledge and technologies. That process has led to the emergence of empires, with the ebb and flow over the centuries of explorers, crusaders, missionaries, merchants, and colonists.

The powerful wave of globalization associated with modern economic growth in the second half of the 1800s and early 1900s brought the level of world integration to a new peak, with convergence in commodity and, to a lesser extent, factor prices. It ended in pain and disintegration with two world wars and a global economic depression between them. The world emerged in the 1950s divided both politically and militarily. But soon, another pervasive wave of economic, political, and social integration was rolling forward. That process has been driven by important changes in the generation, adoption, and diffusion of technology, including major advances in communication and transportation. It has been further promoted and accelerated by economic deregulation and liberalization in many countries and by the end of the Cold War, which eliminated some of the geopolitical barriers to world integration. The dramatic increase in world population is also creating denser economic, social, and environmental linkages.

Here, we take a broad view of globalization to include three general dimensions, each with economic and non-economic components.

First, globalization refers to the multiplication and intensification of economic, political, social, and cultural linkages among people, organizations, and countries at the world level. This notion includes a greater flow of trade and finance; expansion of cross-border communications; greater international interactions among political groups, nongovernmental organizations (NGOs), and other members of civil society; and even increased levels of tourism.

A second dimension is the tendency toward the universal application of economic, institutional, legal, political, and cultural practices. It is related to the first dimension in that increased linkages generate a need for common institutions and rules. Examples in the economic arena include the codification of trade rules under the World Trade Organization (WTO) and its predecessor the General Agreement on Tariffs and Trade (GATT); common approaches to banking supervision, accounting, and corporate governance; the convergence toward economic policies based on similar standards of monetary and fiscal discipline; and reliance on free markets. Recent phenomena such as the spread of democracy, the increase in the number and coverage of environmental treaties, and even the controversial possibility of cultural homogenization in the areas of entertainment, food, and health, are examples of the major non-economic aspects of this second dimension.

Finally, a third dimension is the emergence of significant spillovers from the behavior of individuals and societies to the rest of the world. Environmental issues such as cross-border pollution and global warming are inherently international. National economic crises may lead to financial contagion and ripple effects on the economies of other countries, requiring coordinated international responses. Health issues, such as the spread of HIV/AIDS, require an international approach, as do issues of global crime (for example, drug trafficking and money laundering). And there are also the problems of war and international violence. Again, the dimensions are linked. Spillovers occur because there are more channels of interaction. Then, global norms and institutions are required to provide a framework for coordinating responses.

The economic aspects of globalization usually receive the most attention. Indeed, some observers tend to equate globalization with policies of domestic and international market liberalization, and in the case of developing countries, with internationally coordinated structural adjustment and stabilization programs. Here, we take a broader view of both the drivers and the dimensions of globalization.

DIFFERENT INTERPRETATIONS AND POLICY PERSPECTIVES ON GLOBALIZATION

The analysis of economic integration at the world level has a long history. Adam Smith and David Ricardo argued that freer trade—domestic and international—would bring benefits to individuals and societies. An alternative view, anchored in doctrines of economic mercantilism and power politics, emphasized the need to accumulate power by the State, and to subordinate and manipulate the economy to that end. From a different perspective, the tendency of capitalism to expand worldwide was articulated by Karl Marx, who saw that expansion as an implacable and harsh modernizing force of traditional societies. While Marx shared with classical economists the notion that the expansion of capital generated benefits, V.I. Lenin, echoing some of the themes of mercantilism and power politics, interpreted capitalist expansion as a negative process, leading inevitably to imperialism and war.

After World War II, the debate on expanding trade and financial linkages, from the perspective of developing countries, included different views on the costs and benefits of the process of integration into world markets. Negative evaluations

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came from the literature on colonialism and neocolonialism, the notion of the secular decline of the terms of trade facing developing countries in world markets, and the theory of dependency. Mainstream development economics emphasized the importance of greater participation in the world economy, particularly through the flow of finance and trade, which would improve welfare in developing countries. An expanding subset of the literature on international economic developments during the 1970s focused on multinational corporations, in both developing and developed countries, with very different views about the welfare implications of the emergence and expansion of large international firms. Most of these arguments are being echoed again in current discussions on globalization.

A broader view of the expansion and intensification of linkages among countries, encompassing more than just economics, came with the idea of interdependence, which highlighted the consequences of this phenomenon for the conduct of foreign policy by the main world powers. Currently, the debate on globalization and its consequences is far-reaching. It considers the implications for foreign and domestic policies of nations, the operation of their social and political institutions, the functioning of civil society, legal and regulatory frameworks, the environment, cultural aspects, and conflict and war.

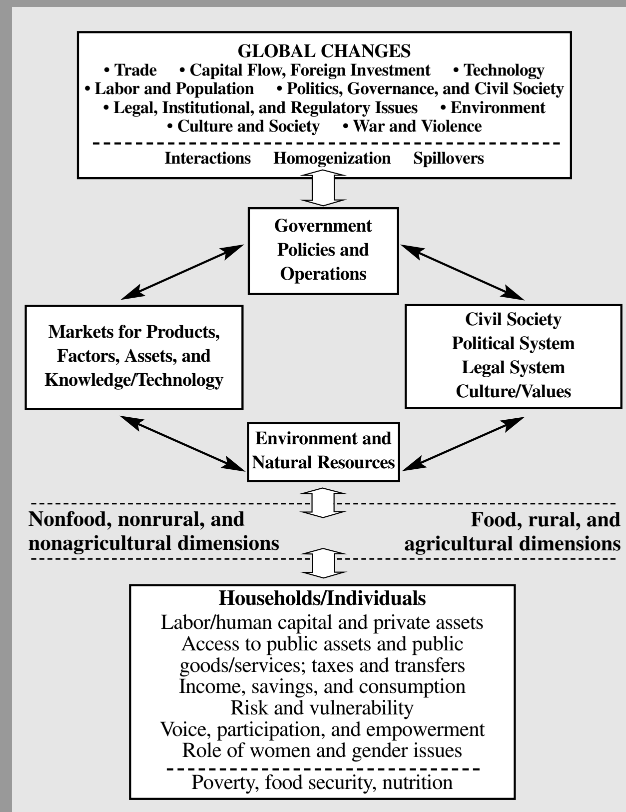
LINKS BETWEEN GLOBALIZATION, POVERTY, AND FOOD SECURITY

The outline of a framework linking globalization, poverty, and food security is presented in the figure. Different dimensions of globalization are listed at the top (first level) and are shown as affecting the government, civil society, markets, and environment in developing countries (second level). For instance, globalization may influence the autonomy of government policies and the availability of public resources. It may affect cultures and values while allowing new cross-country alliances in civil society. It may change the actors in, and the structure of, markets—domestically and internationally—and may lead to larger environmental spillovers. In turn, these changes have implications for different sectors: agricultural/industrial, rural/urban, food/nonfood (third level). Finally, the different dimensions of globalization affect poverty through their impact on economic and noneconomic assets and capabilities, mechanisms for the redistribution of income, and institutional factors (fourth level).

Globalization may change the use, and relative value, of the economic assets and capabilities of the poor. It may also have an impact on non-economic assets and capabilities, such as social capital (civil contacts, networks, and institutions) and political processes that determine the participation and empowerment of the poor. Important issues in this regard include the protection of life and personal security, the construction of democratic institutions, accountability and honesty in governance, and the rule of law. These dimensions mostly determine what Amartya Sen has called "entitlements and capabilities of the poor."

Food security is a subset of that general framework. Since the World Food Conference of 1974, the focus on food security has moved from a global and national perspective to the household and individual, where the problems of malnutrition and hunger take concrete human expression. It has been recognized that the main problem of food security is lack of access due to poverty rather than any aggregate shortage of supplies. The 1996 World Food Summit summarized current views and stated that "food security exists when all people, at all times, have physical and economic access to sufficient, safe, and nutritious food to meet their dietary needs and food preferences for an active and healthy life."

THE LINKS BETWEEN GLOBALIZATION, POVERTY, AND FOOD SECURITY



Availability and access, however, are only preconditions for adequate utilization of food. They do not unequivocally determine the more substantive issue of "nutritional security" at the level of the individual. In addition to household access to food and within-household income distribution, other determinants must also be considered. The role of women (education, household gender roles, and social status) is central, along with such issues as public health, democracy and good governance, and peace.

This collection of policy briefs considers different aspects of the framework presented above. The briefs focus on defining the aspects of globalization relevant for developing countries and exploring both the major forces at work and how policies can be developed to ensure that the process benefits the poor.

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Time horizon. The "medium term" is the instinctive time horizon that Group A uses when thinking, for example, about the consequences of trade policy. But Group B has concerns that are both shorter and longer term. Those who work with the daily reality of poor people's lives are extremely concerned—like the poor themselves—about the short-term consequences of economic policy, which can drive a family into starvation, force it to sell its assets at fire-sale prices, or pull its children out of school. For the poor, it is no use being told that things will pick up again over a five- to 10-year horizon.

There are also those who have a much longer time horizon than a decade, such as environmental groups, including some with religious perspectives on stewardship of the earth's resources. For them, it is the 50- or 100-year perspective that is important. They do not see how economic growth can be sustained, given the earth's limits, and they see negative consequences of resource depletion in both the immediate and the long term.

Market structure and power. The implicit framework of Group A, in thinking through the consequences of economic policy on distribution and poverty, is that of a competitive market structure. The instinctive picture that Group B has of market structure is one riddled with market power. They see the formulation and implementation of economic policy as influenced by powerful agents, and they see policy consequences filtered through noncompetitive market structures.

Group A's immediate response to the suggestion that openness in trade, for example, might hurt the poor in poor countries is to invoke the basic theorems of trade theory. Opening up an economy to trade will benefit the more abundant factor because this factor will be relatively cheap and opening up will increase demand for this factor overall. Since unskilled labor is the abundant factor in poor countries, opening up will benefit unskilled labor and, hence, the poor. But the theory breaks down if local product and factor markets are segmented, either because of poor infrastructure or because of the local power of middlemen and moneylenders. These situations are highlighted repeatedly in discussions about the possible negative consequences of openness.

Group B believes very strongly that increased mobility of investment capital makes workers in both receiving and sending countries worse off. Such a view is derided by Group A analysts as being irrational: "How can you say that when capital leaves the US, it hurts US workers, and when it gets to Mexico it hurts Mexican workers as well?!"

In a framework with perfectly competitive markets, it is indeed irrational to suggest that increased mobility of investment capital makes workers worse off everywhere. But consider a situation where capital and labor in each country bargain over wages and employment in markets that are not perfectly competitive. Increasing capital mobility is akin to increasing the bargaining power of capital relative to labor, so empirically, workers could end up being worse off in both countries, relative to capital. This is Group B's implicit framework, with added emphasis on the political power of big multinational corporations to influence domestic economic policy.

A seeming disagreement: The "growth" red herring. The word "growth" also appears controversial, with Group A accusing Group B of being "anti-growth," and Group B countering that Group A believes that "growth is everything." For all the rhetoric, there is more agreement here than meets the eye. The problem is that the word "growth" is used both in its technical sense of "an increase in real national per capita income" as well as in connoting a particular policy package. This package of "growth-oriented policies," as seen by Group A, is perceived as "economic policies that hurt the poor" by Group B. If viewed in the technical sense, one would probably find less disagreement on whether growth helps reduce poverty, although some in Group B would still argue that this is not the answer over a 50- or 100-year time horizon. The real differences, as argued, concentrate instead on economic policies and issues of aggregation, time horizon, and market structure. The current growth-poverty debate, certainly as presented by some elements of Group A, misses the point.

CONCLUSION

The argument presented here is that there are key differences in perspective underlying the seemingly intractable disagreements on aggregation, time horizon, and market structure. Simply recognizing and understanding this would be one step toward bridging the gap.

Although more is needed from both sides, the focus here is on Group A. The message for those at the more academic end of the Group A spectrum is that explicitly taking these complications into account is more likely to shift the intellectual frontier than falling back yet again on conventional analysis. For those at the more operational and policy end of the spectrum, the message is that instead of being closed and inflexible, recognizing and trying to understand legitimate alternative views on economic policy is not only good analytics, it is good politics. ■

For further reading see R. Kanbur, "Income Distribution and Development," in A. Atkinson and F. Bourguignon, eds., *Handbook of Income Distribution, Volume 1* (North Holland, 2000), R. Kanbur, T. Sandler, and K. Morrison, *The Future of Development Assistance* (Washington, DC: Overseas Development Council, 1999), R. Kanbur, "Poverty Reduction Strategies: Five Perennial Questions," in R. Culpeper and C. McAskie, eds., *Towards Autonomous Development in Africa* (Ottawa: The North-South Institute, 1998).

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